



**Auditor of Public Accounts
Adam H. Edelen**

FOR IMMEDIATE RELEASE

Contact: Stephenie Hoelscher
stephenie.hoelscher@ky.gov
502.564.5841
513.289.7667

**Auditor Edelen Marks Midpoint of Term; Hails Reforms in Schools, Medicaid
Managed Care and Special Districts**

FRANKFORT, Ky. (December 20, 2013) – Auditor Adam Edelen submitted his required midterm update to the General Assembly, highlighting his efforts to pursue fraud and abuse in government and tackle big issues like Medicaid managed care, public education and special districts.

“The high-quality work of the Auditor’s office in the past two years has resulted in criminal convictions, resignations, restitution to taxpayers and sweeping reform,” Auditor Edelen said in his letter to lawmakers. “Our special examination of the tiny Dayton Independent School District, for example, led to the criminal conviction of the former superintendent and more than \$500,000 returned to the poor Northern Kentucky river community.”

Kentucky law requires the Auditor of Public Accounts to submit an update of activity in the office every two years.

Since January 2012, the Auditor’s office has uncovered nearly \$918 million in errors, misstatements, questioned costs and waste, fraud and abuse. It has referred 44 financial audits and special examinations to law enforcement and other appropriate agencies. Nine former public officials and employees have been convicted or arrested on charges relating to audit findings.

Less than two weeks into Auditor Edelen’s term, he launched a special examination into the Department of Agriculture. At a cost of just \$15,000 to the Department, the exhaustive work of the professional auditors resulted in the highest number of ethics charges and fines ever leveled against an individual in Kentucky and a plea deal that includes prison time and restitution payments of \$125,000 - much of which will be returned to Kentucky taxpayers.

“This was a real return on investment and it cleared the way for the new Commissioner to begin cleaning up the messes left by his predecessor by implementing the recommendations in our report,” Auditor Edelen said.

Special examinations in other public agencies also have led to meaningful reform. The director of Kentucky Emergency Management resigned after auditors found questionable expenses, altered documents to conceal disallowed expenditures and the threatening of whistleblowers.

At Bluegrass MH/MR in Lexington, auditors found problems with executive compensation, spending without supporting documentation and lax management practices. The examination, which cost less than \$70,000, resulted in a \$308,000 refund to the Cabinet for Health and Family Services from the purchase of property auditors questioned.

“Those are real dollars returned to taxpayers as a result of this office’s work,” Auditor Edelen said. “That’s a 340 percent return on investment.”

Tackling big issues like education, Medicaid and special districts are important highlights of Auditor Edelen’s last two years in office.

Auditor Edelen conducted 15 examinations into school districts, marking the first meaningful entrance into the education realm by a Kentucky Auditor. In addition to the fraud identified at Dayton Independent Schools, auditors found nearly \$200,000 worth of questionable expenditures at the Mason County School District.

Auditor Edelen also launched an exam at Jefferson County Public Schools, which is expected to be released next year and will be the largest exam ever conducted by this office.

The school examinations have already led to vital reforms in the way school boards operate. Organizations representing school district officials and board members, as well as many board members themselves, have sought guidance from the Auditor’s office in strengthening their policies and procedures.

In addition, the Kentucky Department of Education accepted recommendations by Auditor Edelen to bring additional transparency and accountability to superintendent contracts, benefits and evaluations. As a result, all 173 school districts have submitted their superintendent contracts to KDE for posting on a publicly-accessible website so taxpayers can get a clear picture of superintendent compensation packages. Other efforts to strengthen school finance officer qualifications and school board member training are underway.

Auditor Edelen’s efforts to reform special districts, which represent a \$2.7 billion layer of government, was unlike any undertaking by a previous Auditor in its scope and breadth, according to longtime political observers. The Auditor’s office answered - for the first time ever - questions of how many special districts exist, where they are located, how much money flows through them, and whether they are compliant with state law. A first-of-its-kind database was built to allow taxpayers to identify special districts in their counties and the Auditor’s office issued a report that laid out the problems and potential solutions.

Auditor Edelen shepherded landmark reform legislation to provide increased transparency and accountability to this “ghost government” that had overwhelming bipartisan support. The effort

was nationally recognized as the Excellence in Accountability project by the National State Auditors Association.

The Auditor's office also had a meaningful presence in Medicaid. Auditor Edelen made recommendations to fix the troubled Medicaid managed care launch and speed up payments to desperate providers. And, he established for the first-time ever a unit in this office dedicated to providing oversight of Medicaid. That unit has provided valuable, real-time, cost-saving recommendations to the Cabinet for Health and Family Services throughout the last two years.

"When I ran for office I vowed to not only go after bad guys and investigate allegations of fraud and abuse but to tackle big issues that plague the Commonwealth," Auditor Edelen said. "We cannot move forward as a state by just addressing symptoms. We must address the root problems."

The full report can be viewed on the [Auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

For more information, visit auditor.ky.gov and follow Auditor Edelen on Twitter @AuditorKY, facebook.com/AuditorKY and youtube.com/AuditorKY. Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.